

FRANKLIN FINANCIAL SERVICES CORP /PA/

Form 10-Q

August 11, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-12126

FRANKLIN FINANCIAL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or organization)

25-1440803

(I.R.S. Employer Identification No.)

20 South Main Street, Chambersburg PA17201-0819

(Address of principal executive offices) (Zip Code)

(717) 264-6116

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Edgar Filing: FRANKLIN FINANCIAL SERVICES CORP /PA/ - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes No

There were 4,193,398 outstanding shares of the Registrant’s common stock as of July 31, 2014.

---

INDEX

Part I - FINANCIAL INFORMATION

<u>Item 1</u>	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013 (unaudited)</u>	1
	<u>Consolidated Statements of Income for the Three and Six Months ended June 30, 2014 and 2013 (unaudited)</u>	2
	<u>Consolidated Statements of Comprehensive Income for the Three and Six Months ended June 30, 2014 and 2013 (unaudited)</u>	3
	<u>Consolidated Statements of Changes in Shareholders' Equity for the Six Months ended June 30, 2014 and 2013 (unaudited)</u>	3
	<u>Consolidated Statements of Cash Flows for the Six Months ended June 30, 2014 and 2013 (unaudited)</u>	4
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	5
<u>Item 2</u>	<u>Management's Discussion and Analysis of Results of Operations and Financial Condition</u>	27
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	51
<u>Item 4</u>	<u>Controls and Procedures</u>	51

Part II - OTHER INFORMATION

<u>Item 1</u>	<u>Legal Proceedings</u>	52
<u>Item 1A</u>	<u>Risk Factors</u>	52
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	52
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>	52
<u>Item 4</u>	<u>Mine Safety Disclosures</u>	52
<u>Item 5</u>	<u>Other Information</u>	52
<u>Item 6</u>	<u>Exhibits</u>	52
	<u>SIGNATURE PAGE</u>	53
	<u>EXHIBITS</u>	

## Part I FINANCIAL INFORMATION

## Item 1 Financial Statements

## Consolidated Balance Sheets

(Dollars in thousands, except share and per share data)	(unaudited)	
	June 30 2014	December 31 2013
<b>Assets</b>		
Cash and due from banks	\$ 17,515	\$ 13,542
Interest-bearing deposits in other banks	37,276	27,203
Total cash and cash equivalents	54,791	40,745
Investment securities available for sale, at fair value	175,419	159,674
Restricted stock	1,938	1,906
Loans held for sale	600	349
Loans	732,719	723,413
Allowance for loan losses	(9,519)	(9,702)
Net Loans	723,200	713,711
Premises and equipment, net	15,762	16,145
Bank owned life insurance	21,816	21,530
Goodwill	9,016	9,016
Other intangible assets	491	698
Other real estate owned	4,112	4,708
Deferred tax asset, net	4,717	5,445
Other assets	10,689	10,660
Total assets	\$ 1,022,551	\$ 984,587
<b>Liabilities</b>		
<b>Deposits</b>		
Noninterest-bearing checking	\$ 129,270	\$ 121,565
Money management, savings and interest checking	665,627	610,245
Time	105,807	113,914
Total Deposits	900,704	845,724
Securities sold under agreements to repurchase	2,264	23,834
Long-term debt	12,000	12,403
Other liabilities	7,624	7,238
Total liabilities	922,592	889,199
<b>Shareholders' equity</b>		
Common stock, \$1 par value per share, 15,000,000 shares authorized with 4,581,342 shares issued and 4,192,791 shares outstanding at June 30, 2014 and 4,560,700 shares issued and 4,168,673 shares outstanding at December 31, 2013	4,581	4,561

Capital stock without par value, 5,000,000 shares authorized with no shares issued and outstanding	-	-
Additional paid-in capital	36,980	36,636
Retained earnings	68,623	65,897
Accumulated other comprehensive loss	(3,277)	(4,696)
Treasury stock, 388,551 shares at June 30, 2014 and 392,027 shares at December 31, 2013, at cost	(6,948)	(7,010)
Total shareholders' equity	99,959	95,388
Total liabilities and shareholders' equity	\$ 1,022,551	\$ 984,587

The accompanying notes are an integral part of these financial statements.

## Consolidated Statements of Income

(Dollars in thousands, except per share data) (unaudited)	For the Three		For the Six Months	
	Months Ended		Ended	
	June 30	June 30	June 30	2013
	2014	2013	2014	2013
Interest income				
Loans, including fees	\$ 7,648	\$ 8,035	\$ 15,159	\$ 16,332
Interest and dividends on investments:				
Taxable interest	661	365	1,302	718
Tax exempt interest	376	381	734	757
Dividend income	31	22	56	40
Deposits and obligations of other banks	45	73	84	131
Total interest income	8,761	8,876	17,335	17,978
Interest expense				
Deposits	694	1,162	1,396	2,265
Securities sold under agreements to repurchase	2	12	9	30
Long-term debt	121	122	242	243
Total interest expense	817	1,296	1,647	2,538
Net interest income	7,944	7,580	15,688	15,440
Provision for loan losses	266	803	464	1,605
Net interest income after provision for loan losses	7,678	6,777	15,224	13,835
Noninterest income				
Investment and trust services fees	1,101	1,130	2,192	2,148
Loan service charges	250	192	418	442
Mortgage banking activities	19	40	32	18
Deposit service charges and fees	525	452	990	888
Other service charges and fees	317	233	584	455
Debit card income	337	316	643	602
Increase in cash surrender value of life insurance	144	153	286	305
Other real estate owned (losses) gains, net	(62)	(141)	(185)	(141)
Other	10	47	62	89
OTTI losses recognized in earnings	-	(50)	-	(50)
Securities gains, net	221	29	221	29
Total noninterest income	2,862	2,401	5,243	4,785
Noninterest expense				
Salaries and employee benefits	4,107	4,018	8,357	8,232
Net occupancy expense	586	568	1,262	1,136
Furniture and equipment expense	237	244	491	491
Advertising	270	317	586	652
Legal and professional fees	353	359	618	639
Data processing	493	451	884	845
Pennsylvania bank shares tax	173	204	347	409
Intangible amortization	104	106	207	213
FDIC insurance	222	270	454	515

Edgar Filing: FRANKLIN FINANCIAL SERVICES CORP /PA/ - Form 10-Q

ATM/debit card processing	178	165	357	346
Other	892	923	1,741	1,730
Total noninterest expense	7,615	7,625	15,304	15,208
Income before federal income taxes	2,925	1,553	5,163	3,412
Federal income tax expense	606	198	1,018	506
Net income	\$ 2,319	\$ 1,355	\$ 4,145	\$ 2,906
Per share				
Basic earnings per share	\$ 0.55	\$ 0.33	\$ 0.99	\$ 0.71
Diluted earnings per share	\$ 0.55	\$ 0.33	\$ 0.99	\$ 0.70
Cash dividends declared	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34

The accompanying notes are an integral part of these financial statements.

## Consolidated Statements of Comprehensive Income

(Dollars in thousands) (unaudited)	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Net Income	\$ 2,319	\$ 1,355	\$ 4,145	\$ 2,906
Securities:				
Unrealized gains (losses) arising during the period	774	(1,768)	2,194	(1,591)
Reclassification adjustment for (gains) losses included in net income	(221)	21	(221)	21
Net unrealized (losses) gains	553	(1,747)	1,973	(1,570)
Tax effect	(188)	594	(671)	534
Net of tax amount	365	(1,153)	1,302	(1,036)
Derivatives:				
Unrealized (losses) gains arising during the period	(4)	42	(12)	44
Reclassification adjustment for losses included in net income (1)	94	152	189	332
Net unrealized gains	90	194	177	376
Tax effect	(30)	(66)	(60)	(128)
Net of tax amount	60	128	117	248
Total other comprehensive income (loss)	425	(1,025)	1,419	(788)
Total Comprehensive Income	\$ 2,744	\$ 330	\$ 5,564	\$ 2,118
			Tax expense	Tax expense
Reclassification adjustment / Statement line item			(benefit)	(benefit)
(1) Derivatives / interest expense on deposits	\$ (32)	\$ (52)	\$ (64)	\$ (113)

The accompanying notes are an integral part of these financial statements.

## Consolidated Statements of Changes in Shareholders' Equity

For the Six months June 30, 2014 and 2013:



	Common	Additional Paid-in	Retained	Accumulated Other	Treasury	
(Dollars in thousands, except per share data) (unaudited)	Stock	Capital	Earnings	Loss	Stock	Total
Balance at December 31, 2012	\$ 4,503	\$ 35,788	\$ 62,475	\$ (4,050)	\$ (7,082)	\$ 91,634
Net income	-	-	2,906	-	-	2,906
Other comprehensive loss	-	-	-	(788)	-	(788)
Cash dividends declared, \$.34 per share	-	-	(1,399)	-	-	(1,399)
Treasury shares issued under stock option plans, 3,701 shares	-	(20)	-	-	67	47
Common stock issued under dividend reinvestment plan, 22,920 shares	23	338	-	-	-	361
Balance at June 30, 2013	\$ 4,526	\$ 36,106	\$ 63,982	\$ (4,838)	\$ (7,015)	\$ 92,761
Balance at December 31, 2013	\$ 4,561	\$ 36,636	\$ 65,897	\$ (4,696)	\$ (7,010)	\$ 95,388
Net income	-	-	4,145	-	-	4,145
Other comprehensive income	-	-	-	1,419	-	1,419
Cash dividends declared, \$.34 per share	-	-	(1,419)	-	-	(1,419)
Treasury shares issued under stock option plans, 3,476 shares	-	(10)	-	-	62	52
Common stock issued under dividend reinvestment plan, 20,642 shares	20	354	-	-	-	374
Balance at June 30, 2014	\$ 4,581	\$ 36,980	\$ 68,623	\$ (3,277)	\$ (6,948)	\$ 99,959

The accompanying notes are an integral part of these financial statements.

## Consolidated Statements of Cash Flows

	Six Months Ended June 30	
	2014	2013
(Dollars in thousands)		
(unaudited)		
Cash flows from operating activities		
Net income	\$ 4,145	\$ 2,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	732	754
Net amortization of loans and investment securities	893	910
Amortization and net change in mortgage servicing rights valuation	8	33
Amortization of intangibles	207	213
Provision for loan losses	464	1,605
Net realized gains on sales of securities	(221)	(29)
Impairment writedown on securities recognized in earnings	-	50
Loans originated for sale	(3,554)	(5,270)
Proceeds from sale of loans	3,303	5,099
Writedown of other real estate owned	200	135
Net (gain) loss on sale or disposal of other real estate/other repossessed assets	(15)	6
Increase in cash surrender value of life insurance	(286)	(305)
(Increase) decrease in other assets	(118)	1,077
Increase (decrease) in other liabilities	526	(265)
Other, net	87	705
	6,371	7,624

Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sales and calls of investment securities available for sale	1,582	5,147
Proceeds from maturities and paydowns of securities available for sale	12,313	18,376
Purchase of investment securities available for sale	(28,362)	(42,743)
Net (increase) decrease in restricted stock	(32)	1,436
Net (increase) decrease in loans	(10,012)	23,614
Capital expenditures	(321)	(275)
Proceeds from sale of other real estate/other repossessed assets	493	15
Net cash (used in) provided by investing activities	(24,339)	5,570
Cash flows from financing activities		
Net increase in demand deposits, NOW, and savings accounts	63,087	50,532
Net decrease in time deposits	(8,107)	(43,175)
Net decrease in repurchase agreements	(21,570)	(3,275)
Long-term debt payments	(403)	(4)
Dividends paid	(1,419)	(1,399)
Treasury stock issued under stock option plans	52	47
Common stock issued under dividend reinvestment plan	374	361
Net cash provided by financing activities	32,014	3,087
Increase in cash and cash equivalents	14,046	16,281
Cash and cash equivalents as of January 1	40,745	77,834

Cash and cash equivalents as of June 30	\$	54,791	\$	94,115
--	----	--------	----	--------

Supplemental Disclosures  
of Cash Flow Information  
Cash paid during the year  
for:

Interest on deposits and other borrowed funds	\$	1,670	\$	2,607
Income taxes	\$	236	\$	300

Noncash Activities

Loans transferred to Other Real Estate	\$	82	\$	293
---	----	----	----	-----

The accompanying notes  
are an integral part of  
these financial statements.

## FRANKLIN FINANCIAL SERVICES CORPORATION and SUBSIDIARIES

## UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 - Basis of Presentation

The consolidated financial statements include the accounts of Franklin Financial Services Corporation (the Corporation), and its wholly-owned subsidiaries, Farmers and Merchants Trust Company of Chambersburg (the Bank) and Franklin Future Fund Inc. Farmers and Merchants Trust Company of Chambersburg is a commercial bank that has one wholly-owned subsidiary, Franklin Financial Properties Corp. Franklin Financial Property Corp. holds real estate assets that are leased by the Bank. Franklin Future Fund Inc. is a non-bank investment company. The activities of non-bank entities are not significant to the consolidated totals. All significant intercompany transactions and account balances have been eliminated.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated financial position, results of operations, and cash flows as of June 30, 2014, and for all other periods presented have been made.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's 2013 Annual Report on Form 10-K. The consolidated results of operations for the period ended June 30, 2014 are not necessarily indicative of the operating results for the full year. Management has evaluated subsequent events for potential recognition and/or disclosure through the date these consolidated financial statements were issued.

The consolidated balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete consolidated financial statements.

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Earnings per share are computed based on the weighted average number of shares outstanding during each period end. A reconciliation of the weighted average shares outstanding used to calculate basic earnings per share and diluted earnings per share follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
(Dollars and shares in thousands, except per share data)				
Weighted average shares outstanding (basic)	4,184	4,126	4,178	4,119
Impact of common stock equivalents	7	7	6	7
Weighted average shares outstanding (diluted)	4,191	4,133	4,184	4,126

Anti-dilutive options excluded from calculation	34	46	37	57
Net income	\$ 2,319	\$ 1,355	\$ 4,145	\$ 2,906
Basic earnings per share	\$ 0.55	\$ 0.33	\$ 0.99	\$ 0.71
Diluted earnings per share	\$ 0.55	\$ 0.33	\$ 0.99	\$ 0.70

## Note 2. Recent Accounting Pronouncements

Receivables (Topic 310): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure. ASU 2014-04 “Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure” clarifies that a creditor is considered to have physical possession of residential real estate that is collateral for a residential mortgage loan when it obtains legal title to the collateral or a deed in lieu of foreclosure or similar legal agreement is completed. Consequently, it should reclassify the loan to other real estate owned at that time. ASU 2014-04 applies to all creditors who obtain physical possession resulting from an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable. The ASU does not apply to commercial real estate loans, as the foreclosure process and applicable laws for those assets are significantly different from residential real estate. The ASU is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Corporation does not believe ASU 2014-04 will have a material effect on its financial statements.

Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 “Presentation of an Unrecognized Tax Benefit

When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists,” require an entity with an unrecognized tax benefit that is ‘not available’ or not intended to be used at the reporting date to present the unrecognized tax benefit as a liability that should not be combined with deferred tax assets. Otherwise, the unrecognized tax benefit should be presented as a reduction to the related deferred tax asset. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Corporation adopted this ASU 2013-11 at March 31, 2014.

Revenue from Contracts with Customers (Topic 606). The amendments in this Update (ASU 2014-09) establish a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate, construction and software industries. The revenue standard’s core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The ASU is effective for public entities for annual periods beginning after December 15, 2016, including interim periods therein. Three basic transition methods are available – full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application (e.g. January 1, 2017) and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. Early adoption is prohibited under U.S. GAAP. The Corporation does not believe ASU 2014-09 will have a material effect on its financial statements.

### Note 3. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss included in shareholders' equity are as follows:

	June 30 2014	December 31 2013
(Dollars in thousands)		
Net unrealized gains (losses) on securities	\$ 1,232	\$ (741)
Tax effect	(419)	252
Net of tax amount	813	(489)
Net unrealized losses on derivatives	(384)	(561)
Tax effect	131	191
Net of tax amount	(253)	(370)

Accumulated pension adjustment	(5,814)	(5,814)
Tax effect	1,977	1,977
Net of tax amount	(3,837)	(3,837)
Total accumulated other comprehensive loss	\$ (3,277)	\$ (4,696)

Note 4. Guarantees

The Corporation does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued, have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Bank generally holds collateral and/or personal guarantees supporting these commitments. The Bank had \$22.5 million and \$20.2 million of standby letters of credit as of June 30, 2014 and



December 31, 2013, respectively. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees. The amount of the liability as of June 30, 2014 and December 31, 2013 for guarantees under standby letters of credit issued was not material.

Note 5. Investments

The amortized cost and estimated fair value of investment securities available for sale as of June 30, 2014 and December 31, 2013 is as follows:

(Dollars in thousands)	Amortized	Gross	Gross	Fair
June 30, 2014	cost	unrealized	unrealized	value
Equity securities	\$ 110	\$ 284	\$ -	\$ 394
U.S. Government agency securities	15,376	99	(80)	15,395
Municipal securities	64,018	1,762	(730)	65,050
Corporate debt securities	1,000	-	-	1,000
Trust preferred securities	5,931	-	(625)	5,306
Agency mortgage-backed securities	85,859	905	(412)	86,352
Private-label mortgage-backed securities	1,845	45	(14)	1,876
Asset-backed securities	48	-	(2)	46
	\$ 174,187	\$ 3,095	\$ (1,863)	\$ 175,419

(Dollars in thousands)	Amortized	Gross	Gross	Fair
December 31, 2013	cost	unrealized	unrealized	value
Equity securities	\$ 1,472	\$ 499	\$ (1)	\$ 1,970
U.S. Government agency securities	11,771	94	(114)	11,751
Municipal securities	56,861	1,400	(1,404)	56,857
Corporate debt securities	1,002	-	(1)	1,001
Trust preferred securities	5,922	-	(871)	5,051
Agency mortgage-backed securities	81,352	726	(1,051)	81,027
Private-label mortgage-backed securities	1,984	16	(31)	1,969
Asset-backed securities	51	-	(3)	48

\$ 160,415   \$ 2,735   \$ (3,476)   \$ 159,674

At June 30, 2014 and December 31, 2013, the fair value of investment securities pledged to secure public funds, trust balances, repurchase agreements, deposit and other obligations totaled \$83.9 million and \$107.6 million, respectively.

7

---

The amortized cost and estimated fair value of debt securities at June 30, 2014, by contractual maturity are shown below. Actual maturities may differ from contractual maturities because of prepayment or call options embedded in the securities.

(Dollars in thousands)	Amortized	
	cost	Fair value
Due in one year or less	\$ 2,741	\$ 2,780
Due after one year through five years	11,474	11,911
Due after five years through ten years	27,749	28,064
Due after ten years	44,409	44,042
	86,373	86,797
Mortgage-backed securities	87,704	88,228
	\$ 174,077	\$ 175,025

The following table provides additional detail about trust preferred securities as of June 30, 2014:

Trust Preferred Securities

(Dollars in thousands)